



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
SPECIAL MEETING**

Tuesday, January 16, 2018

**ASU SkySong #349
1475 North Scottsdale Road
Scottsdale, Arizona 85257
DRAFT MINUTES**

PRESENT: David Scholefield, Chairperson
Linda Dillenbeck, Vice Chairperson
Frank Ashmore
Carl Grupp
Ken McKenzie
Camille Hill
David Winter

STAFF: Karen Churchard
Steve Geiogamah
Brent Stockwell
Holli Shannon
Ana Lia Johnson
Jeff Nichols
Kit Weiss
Christy Hill

1. Call to Order/Roll Call

Chair Scholefield called the special meeting of the Scottsdale Tourism Development Commission to order at 8:05 a.m., and noted the presence of a quorum.

2. Approval of Minutes

- December 12, 2017 Regular Session Minutes

Chair Scholefield noted a number of action items will require follow-up. There were no other modifications.

COMMISSIONER GRUPP MOVED TO APPROVE THE MINUTES OF THE DECEMBER 12, 2017 REGULAR MINUTES AS PRESENTED. COMMISSIONER MCKENZIE SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).

3. Event Funding Program Recommendations

- a. Italian Festival
- b. Arizona Bike Week

Steve Geiogamah, Tourism Development Manager, stated that the Italian Festival is applying through the Community Event Funding Program. The recommended amount vetted through the Event Working Group was \$13,500. Last year, they received \$15,000. The decrease is attributed to the new criteria the Commission put in place last year. Last year, Arizona Bike Week received \$30,000. The recommendation is \$30,000 again for this year.

COMMISSIONER MCKENZIE MOVED TO APPROVE THE EVENT FUNDING RECOMMENDATIONS AS PRESENTED. COMMISSIONER ASHMORE SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).

4. Changes and Priorities for the Tourism Development Fund, Including Financial Policy 21A, Tourism-Related Operations and Capital Projects

Mr. Nichols stated that financial policies were first adopted in 1994/95 to promote sound financial planning and management of public funds. They assist with financial planning on an annual basis through the budget process. The policies also contribute to the City's Triple A financial rating. For categories related to the financial policies, operating management has 23 policies, capital management has 6, debt management has 7, reserve management 9 and financial reporting has 3, for a total of 48 financial policies. In March of 2010, there was an election to increase the bed tax from 3 to 5 percent. In June of 2011, Council first established the methodology for allocating funds that the City would receive. As of that time, these percentages were related to the 50 percent that the City receives and not the total amount of revenue brought in.

In response to a question from Chair Scholefield, Mr. Geiogamah confirmed that the change was approved by the TDC at the time.

Mr. Nichols stated that in May 8, 2012, they went from a percentage basis to a straight dollar amount. What fell through these buckets could then be used for similar things. However, additional funding could not go to the General Fund at that time. In 2017, meetings have occurred twice per month with the CCIP Subcommittee. There was some interest in the Subcommittee to revert to a percentage-based allocation, because some allocations were not growing with the bed tax. At the City Manager's request, the Subcommittee asked that staff include language in the new Financial Policy 21A related to the operating impacts of tourism capital projects. Some of these relate to debt service for Museum of the West, the TPC and TNEC. All of these come with some operating impact to the General Fund. Prioritization of tourism development revenue (debt

service) would be first and foremost going forward, if the TDC agrees with the recommendation and forwards the recommendation to Council for approval.

In terms of how the bed tax carryover grows over time, in the very first year, there was \$8.5 million with approximately half being unspent. For the next fiscal year, the prior unspent balance is carried forward. Unspent amounts from previous years continue to grow. In Fiscal Year 2015, they did a good job in spending the 50 percent allocation without having too much going into the carryover. In Fiscal Year 2016, nearly 100 percent of the allocation was spent. Revenues have increased on an annual basis. For Fiscal Year, 2018 it is estimated that a slight balance will be unspent again, creating a total of \$12.8 million carryover estimate at the end of the fiscal year. When buckets of this amount of money grow in the City, it draws attention as available for spending.

Mr. Nichols presented the proposed Financial Policy 21A which states that 100 percent of the transient lodging (bed taxes) shall be deposited in a special revenue fund for tourism development (the Tourism Development Fund). The fund will also receive 100 percent of the Princess lease revenues. The transient bed tax revenues will be allocated annually as follows:

- 11 percent go to the General Fund
- 7 percent go to tourism-related events and event development
- 6 percent go to tourism-related administration and research
- 26 percent (plus lease Revenues for Princess) go to Tourism Development Fund revenues for tourism related operating expenses, capital projects and/or operating impacts directly associated with tourism related capital projects

The allocation to any particular project is limited to \$600,000, unless otherwise recommended or approved by Council. In response to a question from Chair Scholefield, Mr. Nichols clarified that the \$600,000 limit is related to just capital. At the end of any fiscal year, unused funds can be used for any of the other categories but may not be leveraged for multiyear annual commitments such as debt service payments. In the event of a decrease in Tourism Development Fund revenues, debt service is a priority and will be met first (as recommended by the CCIP Subcommittee). Going forward, each category will fluctuate. There will be a better reflection of spending history and needs within the categories, incorporating flexibility from the City Manager's standpoint by including operating expenses. Language is also added to make debt service obligations a priority. Comparing the current allocations to the amounts under the new policy, there are very minor changes, with \$2.4 million for capital improvements versus the \$3.3 million. Most other amounts remain the same, except administration and research at 6 percent (current estimates \$1.2 million versus the \$500,00 that was going towards this category previously).

Mr. Stockwell stated his understanding that the \$600,000 limit noted earlier was intended to apply to any of the categories and not just capital projects, unless otherwise approved by the City Council.

Commissioner Ashmore referred to the carryover amounts, noting that they are being shown in a lump sum. He inquired as to which areas the money not being spent. Mr. Stockwell said the primary reason the carryover is growing is that the \$500,000 for one-time capital projects has never been expended. The amount continues to grow.

The other factor is just the growth in revenue year over year, which is also contributing. The remaining difference is marginal amounts in other areas.

Chair Scholefield asked for further explanation on the prioritization of debt service, noting that the Commission had previously recommended the creation of a bed tax stabilization fund. Mr. Nichols recalled that the bed tax stabilization policy was not related specifically to debt service. Chair Scholefield said the initial discussion was related to marketing. The Commission was then advised that it would be more related to covering expenses. Mr. Stockwell stated that if the carryover begins to be spent down, that will be the point where the bed tax stabilization reserve becomes more critical. As a follow-up to the conversation staff had with the Commission in June and then with the Treasurer's Office, staff believed it was important to include the reserve discussion language in the policy for clarity purposes. If there is a downturn, the amounts are first applied to the debt service.

Chair Scholefield sought clarification on what the debt service would be covering. Mr. Nichols explained that it would cover the principal and interest payments that have been committed for various improvements within the Tourism Development Fund (TPC, TNEC, 80 acres, Scottsdale Museum of the West). In the offering statements for the bonds (MPC debt sold), all excises taxes are pledged as payment.

In response to a question from Commissioner Hill, Mr. Nichols confirmed that there is no amount left for potential marketing during a downturn period and that the amounts would only cover principal and interest payments. Commissioner Hill commented that marketing is particularly needed during downturns. Additional funds should be reserved for this purpose. Mr. Nichols said this has been discussed, however, the City is limited to the 50 percent revenues for destination marketing. Mr. Stockwell added that Council has the ability to commit additional resources to destination marketing. However, they could not commit a greater percentage of the Tourism Development Fund than approved by the voters.

Chair Scholefield asked about a guarantee that the percentages could be flexible (i.e. reducing the General Fund contribution, the event development contribution, administration and research contribution), and also asked about the City Treasurer's priority after the debt service is taken care of. Mr. Nichols said he would leave the prioritization to the experts in the tourism area. This is one of the only financial policies that has been placed into ordinance. Changes must be presented to Council in order to revise the ordinance.

Chair Scholefield noted that the two largest increases are General Fund and administration and research. He questioned why he should support an initiative that increases general funds when the Commission has no say on where general funds go at this time. The ordinance does suggest, however, that the Commission has the responsibility of making recommendations on all the funds.

Commissioner Ashmore commented that the slide compares similar year over year revenues (total bed tax dollars). Applying the same graphics to 2013, what would the percentages look like as the years have gone on when bed tax dollars were lower? Was there more money in events and event development? Mr. Nichols stated that during the conversation with the CCIP Subcommittee, staff's direction was to look back to a time

when it was being calculated on percentage basis and what that would look like in today's dollars in terms of setting percentage limits. Commissioner Ashmore commented that there is a total of \$12.8 million in bed tax revenue with 11 percent going to events and event development. He questioned what this percentage would have been in previous years and surmised that it would have been significantly higher. Mr. Geiogamah agreed. Staff has developed a model to illustrate what the various areas would look like in the event of a decrease of total funds. Commissioner Hill noted that there is a downward trend and that the City has significant competition. Mr. Stockwell also noted that at the beginning of the decade, while the available amounts for tourism (destination marketing and City's portion) increased from 3 to 5 percent, the staffing and administrative support budget remained the same. Chair Scholefield commented that the Commission understands the need for extra staffing. Two years ago, the Commission recommended additional staff, while the City Manager disagreed.

Commissioner McKenzie referred to the multi-year commitments of \$2.7 million and asked about the total amount of debt placed and for how many years. Mr. Nichols stated that the total debt issued to date is approximately \$68 million and runs through 2035.

Chair Scholefield asked whether any input has been received from anyone in the tourism industry as it pertains to this discussion. Mr. Stockwell stated that that process begins with today's conversation. Chair Scholefield asked whether there is a plan to seek additional input other than the TDC before the presentation to Council in February. Mr. Nichols said that it will also be presented to the CCIP Subcommittee. Chair Scholefield inquired as to input from others in the tourism industry. Mr. Stockwell said that Experience Scottsdale is present as well and is welcome to also provide input.

Kit Weiss asked Commissioners to provide their thoughts on a fixed amount versus percentage approach:

- Commissioner Ashmore: In any business one must be flexible. The idea of percentages as a benefit over a fixed dollar amount is understandable. However, there are certain thresholds where he would not like to see the percentage dip below a specific dollar amount.
- Commissioner Grupp: Does not have a problem with the flexibility of going to percentages, as it reflects in real time what is happening. Changing the language to support the capital projects in a variety of ways raises the issue that these services should be coming from the General Fund and may imply double dipping.
- Commissioner McKenzie: It is obvious from the numbers that the money is being taken from multi-year commitments and other projects to throw over to the General Fund. Sixty-eight million dollars has already been committed with a capacity of \$60 million more. It is almost as though there is a handcuffing of the ability to grow tourism from the spirit of what was originally intended. They are changing the percentage without taking into account the funds actually committed to be spent in the future. If there is always a minimal amount to be committed with the ability to flex up on a percentage, he would support the approach. He is not in favor of using the percentage approach if it shrinks the amount of funding available to promote tourism.

- Commissioner Hill: In favor of a fixed approach, because it is precise. Percentages are a response to the marketplace and the percentages seem to be growing in an area not positive for tourism.
- Commissioner Winter: Agreed with Commissioner Hill. A fixed approach tells you what you have to work with as opposed to floating around.

Chair Scholefield questioned whether the discussion of fixed versus percentages automatically means they are agreeing to prioritize the debt service. In other words, "When I say I am in favor of flexibility or static, what else am I agreeing to?" He also noted there has not yet been discussion of the operating funds for capital improvement projects, such as Museum of the West. He questioned how much money is left for the Commission after an additional increase to general funds and administration and research. Mr. Stockwell said it could come from the largest chunk the chart – the top two pieces. Mr. Nichols added that it would just move down into the multiyear commitments.

Ms. Weiss asked if the comments made thus far express a desire to have a set amount on the General Fund with the rest being percentage based. Commissioner McKenzie said he likes this approach, especially as there has been considerable growth in bed tax collections over the past five years. Mr. Stockwell said the Tourism Fund has increased at a greater percentage than the General Fund. The unspent amount of overall collections has grown on the carryover side at a much greater rate.

Commissioner Ashmore asked if the impetus for the proposed shift is an effort to insulate the General Fund against the carryover dollars. Mr. Stockwell said the most fundamental reason for allowing the General Fund commitment to grow over time is that the growth in the fund presumes that more people are staying in hotels. There is then an impact in terms of police, fire and other city services that benefit tourism and are outside of this fund. The percentage allocation of the General Fund reflects this. Mr. Nichols added that previous discussions reflected the fact that projects have an impact on the General Fund once they are built (i.e., increased operating costs for tourist attractions that were built with funding from the tourism fund and now rely on the General Fund). Chair Scholefield said this was because the Commission felt that these enterprises would put together viable marketing and business plans, executing them to be self-sufficient. If this structure moves forward, his recommendation would be to require enterprises to develop appropriate business plans to wean themselves off of continuous supplemental funding.

Mr. Nichols addressed the vernacular reference to "enterprise." The City has not looked at any of the projects as enterprises, meaning they would cover all their operating impacts. Chair Scholefield said that that may have been the view from the City's perspective, however he was never educated to that point. He voted for the initiatives because he felt they would drive value back to the City and also that the enterprises would develop business plans to make them viable. Mr. Stockwell agreed, noting that the "if you build it, they will come" philosophy has not been sufficient. The current reality is that for new operations, just building is not sufficient in the startup stage. The policy now includes flexibility, so that the Commission can recommend that the Council include money for operations for some capital projects.

Mr. Stockwell noted that some expenses impact the General Fund. For example, the Police Department budget covers some larger events, including the recent Rock'nRoll Marathon. Vice Chair Dillenbeck noted that TDC also funded it through the event funds. Mr. Stockwell agreed, but clarified that TDC funding was not to the full extent of the total cost. Vice Chair Dillenbeck commented that for many TDC funded events, organizers indicate that the funds will be used for City services, such as barricades and police. Mr. Geiogamah clarified that this is an older agreement that is no longer in place. The entity participates in the matching event advertising fund program, so TDC does not cover police and barricade costs. Also relevant is the increasing visitation to destinations through activations, which is a pull on the police and fire departments.

Ms. Weiss summarized that some Commissioners prefer a flexible fund allocation and others prefer fixed amounts. It was noted that some Commissioners also prefer a hybrid version. Commissioner Ashmore commented that he is a proponent of the flexibility of percentages, provided that there is a threshold they do not go below when it comes to funding certain areas.

Mr. Geiogamah commented that the proposed model takes administration and research from \$500,000 under the proposed model to 1.2 for admin and research. Event development is going from 1.2 to 1.4. He asked Commissioners what they wanted to see increased and by what amounts. Vice Chair Dillenbeck said she would like to know what constitutes the additional \$700,000 in admin and research before she makes this decision. Same with event and event development. She would like to know what is going into the fund before a determination is made. Events and event development may be too low. If Canal Convergence needs to go into this category, then the amount is way too low.

Chair Scholefield posed the scenario that TDC is in support of these businesses, however carryover funding might not be available and asked where the funding would come from (i.e. the 2.7 in multiyear commitments). Commissioner Hill said that clarification on the chart was required. Ms. Weiss noted that a separate conversation regarding carryover would be taking place. Chair Scholefield stated that if carryover does not exist and the money is not set aside for operational support, then there is no money available for operational support. Mr. Nichols said it would come from the 0.8 and the 2.4 sources, if indicated by the TDC, and would fall into multiyear commitments. In turn, the amount available for multiyear commitments would shrink.

Vice Chair Dillenbeck cited Canal Convergence, noting that its support is coming from carryover funds. If TDC agrees to support it for three years, does it then move to come out of the \$2.4 million? Mr. Nichols said that would occur when there is direction for a multiyear commitment within the category.

Commissioner Ashmore referred to allocation of amounts in reference to events and event development. He asked how much of the \$1.2 or \$1.4 million is really being committed every year and what is truly left for new events and new event development. Mr. Geiogamah said that very rarely has the budget maxed out the \$1.2 million. The rare times they have had to go from event development to the carryover were for large events, such as Scottsdazzle. On an annual basis, the budget starts at \$1.2 million. Programs are developed and filtered for Council approval. This would continue. The

difference is that if utilizing a higher percentage, more funds would be available to program.

Ms. Churchard said that all the money requested for Scottsdazzle, Canal Convergence, Western Week and any new event category has been asked for out of carryover, because the \$1.2 million has been for other organizations requesting funding from the City through the TDC and the Council. A good question is whether the \$1.4 becomes greater or whether there is another category for events created through the City that are tourism destination based. Right now they are put in as out-of-budget packages. In the case of Canal Convergence, staff will be coming back and seeking a recommendation to move to Council for next fiscal year's budget. It is a lot of work for staff to go through the process as it has been operated. However, having another entity created with specific criteria, it might be less cumbersome for staff than going through a multilayer process to get the funding. In regard to the administrative research side, staff has struggled to stay at the current \$500,000 budget. While additional dollars are needed, they would have difficulty spending \$1.2 million. During the Five-Year Strategic Plan, all administrative costs related the Tourism Strategic Plan came out of administrative research. When actually implemented, staff requested carryover funds to implement the project, but the actual administrative side came out of the \$500,000 allocation. Commissioner Hill said that the Commission agreed staff was needed. Chair Scholefield added that the Commission would also likely support a contractual arrangement, provided the cost was known in advance.

Commissioner Ashmore asked what is being done from a proactive, inbound standpoint to go after distribution networks to bring events to this market. Further, if funds are allocated to this goal, could they hire or contract a marketing entity company to help (not referring to Experience Scottsdale). What seasonal events could be created to bring bed tax dollars when needed, rather than waiting for entities to approach the Commission and ask for funding? Ms. Churchard said that both approaches are ongoing. One main challenge for attracting events is adequate event space.

Commissioner Ashmore inquired who is proactively looking for events when they are needed and when the space is available. Ms. Churchard said she is undertaking this at this time. Other staff could take it on, but the question becomes how much funding is available to spend on this. The funding would have to be in the administrative research area for a contractual or staff person to focus on this. Commissioner Hill suggested the possibility of the budgetary inclusion of signing bonuses. Ms. Churchard cited the challenge of the gift clause. Scottsdale is losing events at WestWorld, because there are cities in Texas offering large sums of cash just for bringing the event. Mr. Nichols said that as long as the City Attorney can make determination that the amount being given is in turn receiving like-kind value, there is no exclusion from offering that incentive. Mr. Stockwell agreed that if commitments are dependent on the event being located in Scottsdale, this is something that can be overcome. If they are straight-out payments for the application fee with no direct consideration to the City, this is a more challenging prospect. Mr. Geiogamah added that from a City perspective, Scottsdale has a strong competitive advantage in terms of the \$1.2 million and existing programs. Another obstacle for Scottsdale is its the approval process. The application and proposal goes to the Commission and then to City Council. In other cities, a fund is available to entice events and it is more or less guaranteed once the agreement is

signed. Ms. Churchard added that the City's process makes it impossible to respond to proposal requests within 30 days.

Ms. Weiss summarized that the discussion reflects the desire for flexibility with the ability to fund and bring in new events. There is concern regarding administration and how there can be flexibility to bring in new events and support staff. Chair Scholefield said the Commission has begun to answer this by having an additional headcount, such as \$100,000. There has been discussion for another \$200,000 to be used for contracts.

Chair Scholefield pointed out that the Commission has tried numerous times to spend more of the carryover. Two years ago, the Commission suggested a head count increase, which was denied. A couple of years ago, the Commission asked to bring in event planners. That was also denied. The Commission also discussed accruals for large events. That request was also denied.

Commissioner Grupp said that hosting tourism-related events such as trade shows would positively impact the City for the next decade. He asked about an approach of increasing administration and research funding and whether event planners could be hosted. In other words, could more be done if the monies were put in a bucket versus trying to spend carryover money. Mr. Geiogamah said it could potentially go under event development or admin and research in terms of costs.

Ms. Weiss asked whether there other areas that the Commission feels need to be increased or decreased. Commissioner Ashmore said that if allocations can be increased in some areas and the Commission knows where and how the monies are being spent, the carryover dollar issue is diminished to a degree.

Vice Chair Dillenbeck asked whether another category can be added or whether this involves changing the laws. For example, an added category for operating funds for some facilities might become a separate category with an allocation. Mr. Nichols said it could possibly be included in an existing bucket. A different category could also be created, if staff is given direction and takes the recommendation to Council. It would be in a special revenue fund and could be budgeted every year. It would be available, yet also subject to the procurement code. Vice Chair Dillenbeck stated her understanding that the Commission could allocate a dollar amount or percentage to cover the business operating expenses of the Museum of the West or another tourism-related entity, they could create a category and allot an amount toward it. Mr. Nichols confirmed this understanding, noting that the Commission is free to make this recommendation. Ms. Weiss said this is one of the discussions that will be had regarding the carryover fund.

Chair Scholefield noted that Experience Scottsdale sent to Mayor Lane, the Commission and staff a list of their recommended project priorities. They will have substantial impact on the carryover and funding. Perhaps there can be input from any Council Members present in terms of the likelihood of the projects coming to fruition. A couple may be able to be funded through carryover, but after adding operational funds, carryover could be gone quickly. Mr. Stockwell noted the interrelated nature of the issues.

The Commission took a brief break.

Ms. Weiss stated that this portion of the discussion would center on the Commission's thoughts regarding the carryover funds. There are three categories relevant to the discussion:

- Tourism-related projects and capital projects: Operating expenses
- Tourism-related capital projects
- Operating impacts associated with tourism-related capital projects

Ms. Weiss asked "Do you want to spend carryover funds, and if so, where do you want to spend them?"

Commissioner McKenzie said there is approximately \$12 million in the carryover fund. He asked about existing policy that caps the amount. Mr. Stockwell said there is no policy cap. Commissioner McKenzie inquired as to any indication by City management on what level they would like the carryover to be. Mr. Stockwell said there is no rule regarding this question. Scottsdale's bed tax allocation and carryover is somewhat unique as a city. When the voters were asked for increased funding for tourism development, the intent was for the funds to be used for tourism development and not to stay in an ever-increasing fund.

Commissioner McKenzie stated that the Commission can determine what type of projects can go into the carryover fund. Mr. Stockwell said his understanding of the uses of the carryover is the same types of uses as the uses of the main fund during the current year. The main point is that the carryover uses and the main fund uses are the same. The issue is trying to figure out which bucket they should be pulled out of. Typically, if they were one-time expenses, they would be drawn from the carryover fund, as the main fund is typically for ongoing expenses. Commissioner McKenzie commented that the carryover should be very limited in terms of what the money can be spent on. In his opinion, it should only be spent on long-term tourism-related capital projects with a remaining reserve. Other portions could be toward debt service. He does not agree with the prospect of going into the reserve for operating expenses. Ms. Weiss summarized that the desire is for there to be a specified amount (stabilization fund), which would not be allocated (i.e. \$3 million). Whatever else is in the carryover fund would be put towards tourism-related capital projects. Commissioner McKenzie agreed with the summation, noting that the stabilization fund would be available in case of an economic downturn. The funds could be backfilled into maintaining the operations of the Tourism Development Fund.

Chair Scholefield asked where the operational support funding would come from for businesses such as the Museum of the West. Commissioner McKenzie said there would have to be a line item under the \$2.4 million. Chair Scholefield asked how many projects would be in consideration for the operational support. Ms. Churchard stated her understanding that it is operational support for capital projects for which tourism monies have already used. These include WestWorld, Museum of the West, and TPC to a degree. Mr. Nichols added that it would also apply to future improvements.

Commissioner Ashmore commented that the object is for the businesses to develop self-sustaining models as opposed to dipping into a slush fund when funding is needed. Vice Chair Dillenbeck noted that there are projects coming down the pipeline, such as Desert Discovery Center, Scottsdale Stadium and WestWorld needs. The Commission was

fully prepared to fund those this year out of the carryover fund. If all of the money is taken out of the carryover fund (because it must be spent on tourism and go away to be used for related projects), there will be no funding available for the Desert Discovery Center. It is important to find a balance and to be smart when communicating the reasons why the fund is as large as it currently is, in order that people understand there is a plan for the funds. Mr. Stockwell said this relates to the conversation in January to have a five-year tourism CIP plan, as is done with the General Fund and Transportation Fund. That way projects that may not be coming for three years are already being planned for. He referenced the earlier suggestion to set aside a portion of the carryover as a reserve and to have the balance available for capital projects. This is similar to the financial policy that the Council has in place relative to excess balances in the General Fund. That is that all funds not needed to restore contingency and reserves go to the General Fund CIP, unless otherwise directed by the Council. Putting this in context with the current financial policy, it means that the carryover can be used for any uses for which tourism development funds may be used. The only restriction is that they cannot be used for multiyear commitments. The aim of reviewing the policy is to provide more flexibility within the main portion of the fund for ongoing operating commitments.

Chair Scholefield noted that Councilman Smith is present and is on the CCIP Subcommittee. He asked Councilman Smith to comment on any issues being discussed in the Subcommittee that may end up surfacing with the TDC. Councilman Smith stated that the Subcommittee has been working through a collection of needs, prioritized from urgent to wish to have projects. The proposed projects in the General Fund total approximately \$500 million. The proposed projects in the Transportation Fund total approximately \$275 million. For the General Fund, the only identifiable source of inflowing funds are the potential excess interest amounts of the City's money. This may be \$1 million to \$3 million per year. Also included is 25 percent of whatever construction sales tax is generated in the City, which typically totals \$10 million per year (\$2.5 million going to the General Fund CIP). Temporarily, the City has moved the collection of food tax into the General Fund CIP (\$7 to \$8 million per year). The ultimate goal is to eliminate the tax. Even if it remains in place, the food tax total combined with other income sources (minus miscellaneous capital expenses), leaves approximately \$15 million. That is the number that must be balanced against the total of \$500 million in General Fund needs. The problem is also severe on the transportation side. Some of the projects on the list related to tourism include the Desert Discovery Center and the Stadium project. A third one includes Downtown projects such as the Civic Center Mall. It may be necessary to go to the voters and plea for support.

Ms. Weiss asked for input on whether there is general agreement on the desire for a stabilization fund and where Commissioners wish to see the carryover funds allocated. Chair Scholefield asked about the possibility to approve expenses for big events that will likely present in the future, such as Super Bowl or Final Four. For example, \$100,000 per year to be set aside towards future events. Mr. Nichols said this proposal could be entertained. Just as there is a five-year program for operating and CIP, he would prefer consideration of a five-year tourism funding program. The money would come from ongoing annual revenues. Chair Scholefield clarified that this proposal applies to carryover funds. Mr. Stockwell stated that in all of the past years, the funding within the main fund was sufficient to pay for the Final Four, Super Bowl and such large events. The carryover does not even need to be considered for this. However, the Commission can budget ahead and take steps to leave enough money in the main fund to pay for

these events. In response to a question from Chair Scholefield, Mr. Stockwell agreed that it could be as a portion of carryover.

Ms. Weiss said that if the Commission decides it wants a stabilization fund, a certain percentage will go to capital projects. She asked whether a certain percentage can also go to impacts for operating fees or for internal costs (large, overarching events). Chair Scholefield said this works as long as the carryover exists. If it disappears or shrinks to a low number, the allocations are all compromised.

Mr. Stockwell discussed that the Super Bowl was a commitment of \$645,000. Even if that amount doubles, it could still be taken out over a three-year period and the current allocations will cover the expense. The Commission is encouraged to keep multiyear commitments in the operating budget and not use one-time funds for multiyear expenses.

Ms. Weiss summarized earlier comments that the cap should only be established for stabilization and then the funds can be spent for tourism capital improvement projects. She asked whether there were additional comments. Chair Scholefield said that events can be on the list as well. Vice Chair Dillenbeck commented that the carryover funds should not be limited to capital improvement projects. Ms. Weiss asked whether this is in reference to the staff side of developing events. Vice Chair Dillenbeck stated that at this time, Canal Convergence comes out of carryover funds. The Commission wants to see this continue. The question is whether they should increase events and event development to cover this or continue to take it out of carryover.

Ms. Weiss asked if the Commission wishes to leave operating costs in the main budget or move it to carryover. Commissioner McKenzie said it should stay in the main budget. If there is to be a shortfall, it is important to know this in advance. There was general agreement. Chair Scholefield said he is comfortable with the approach, but more concerned about the way the money is allocated in terms of business and marketing plans.

Ms. Weiss invited further comments on how the carryover funds will be spent. Commissioner Ashmore advised that when looking at the chart, the Commission ensured that the right monies are allocated forward, so that the carryover fund is not as large as it is today. He is in favor of utilizing agreed upon criteria and expanding budgets for administration and research.

Ms. Weiss asked if the Commission had a recommendation it would like to make to Council in February on the carryover. Chair Scholefield asked if the recommendation must go to Council in February. Mr. Nichols said that the Council will be considering all financial policies for consideration on February 20th. Chair Scholefield suggested a delay in the discussion until next month to allow Commissioners to review all the information, including the proforma. Otherwise, the Commission may have to call an additional special meeting to see the results of today's discussion before it goes to Council. Mr. Stockwell said an alternative approach is to agendize this for the meeting on the 20th with the recommendation going to Council on the same day as the TDC meeting.

Ms. Weiss noted that there is some agreement on the recognition of the need for more flexibility, but with assurances to shore up operating and administrative budgets. The Commission has been clear on how it wishes to see the carryover funds used. In terms of allocation of funds, they have discussed the need to have enough funding in administration for needed staff and also to be able to develop new events and support current events. Vice Chair Dillenbeck stated that it is important that event development include Canal Convergence and the City events referred to by Ms. Churchard. There does not seem to be adequate money in the fund currently.

Commissioner Hill noted the lack of time for complete review before having to send a recommendation to Council. Mr. Nichols said that the Commission can continue to operate under current policy approved by Council. Commissioner Hill said it is worth another look in order to get it right. Commissioner Ashmore asked about the next opportunity to recommend changes to Council after February 20th. Mr. Nichols said there is no predetermined timeline. Chair Scholefield stated that he would like to see the impacts on proformas.

Discussion ensued regarding the General Fund. Mr. Nichols said it includes not just police and fire. Tourists take advantage of City facilities while visiting. Tourism does have an overall impact to the General Fund. On certain days, such as during TPC, the City actually temporarily doubles in population. This has an impact on General Fund programs. Commissioner Hill said she is not against increasing the amount to go to the General Fund. Having more information on impacts would be helpful.

Mr. Stockwell said he would provide the additional information the Commission would like to hear in order to agendize a continuation of this discussion. There can be a discussion with the City Manager about delaying the timeline for bringing the financial policies to Council. However, the policies are typically presented in January and have already been delayed a month for the sake of TDC's conversation. Chair Scholefield suggested they proceed with the other policies and delay the tourism portion. Mr. Stockwell noted that the budget process is already under way and it would be helpful to have clarity on the General Fund piece. Commissioner Ashmore said that in order to make the decision, it is important to know what the \$600,000 is needed for. Chair Scholefield added that clarity is also required that other projects don't show up on TDC's doorstep, which are not tourism projects and come out of carryover, which has occurred previously.

Vice Chair Dillenbeck noted that Commissioners have approximately ten minutes remaining to go through their priorities. Having the opportunity to look at where funding for today's dollars are going, along with the priorities of how they wish to spend, is a much smarter presentation than Commissioners voting without having gone through the prioritization exercise. Ms. Weiss summarized that Commissioners have decided not to proceed with a motion at this time, as they do not have adequate information. They will reconsider at a future date when the totality of information is available. There was general consensus on this summary.

Mr. Stockwell summarized his understanding of the direction:

- No real objection to setting a percentage for the General Fund, rather than a fixed amount.

- There is concern that the amount for event and event development may be too small.
- The amount for administration and research may be too large.
- There may be value in setting an amount that is a portion of the remaining amount for operational support.

There was general consensus of the Commission's agreements. Mr. Stockwell said staff will make clarifications and provide more information. Vice Chair Dillenbeck added that the operating amount would have a cap and not be a percentage of total funds.

Commissioner Grupp referenced the other capital projects coming forward, many of which are not tourism-driven. He asked whether this would be resolved with allocating more into the operating budget. Mr. Stockwell said that typically, when Council has conversations about whether to use General Fund or Tourism Development funds for a project, the typical approach is, "Why should we allocate very limited General Funds for this, when there is sufficient balance within the Tourism Development funds?" Council tends to support this approach. Having a percentage of the General Fund allocated will help diminish this somewhat.

Commissioner Ashmore stated the importance of adequate resources put into either administration research and/or event development to not only take care of current staff, but also be thinking forward about what additional monies may be used for to secure more and larger events. Mr. Stockwell noted that the new Experience Scottsdale agreement includes language to ensure that Experience Scottsdale also has a role with the City event facilities.

Ms. Weiss addressed the 29 capital projects. Mr. Geiogamah said the goal is to whittle the list to a workable list of approximately 10 projects. Chair Scholefield said it is key that the minutes reflect that the criteria has not yet been approved. This is the first time the Commission will be prioritizing projects as a group.

Ms. Weiss directed Commissioners to place their stickers next to their top rated projects, while meeting the criteria as priorities. The next exercise involved ranking the top 10 prioritized projects 1 through 5. The votes will be totaled subsequent to the meeting.

Ms. Weiss stated that Ms. Churchard and Mr. Geiogamah will incorporate the prioritization list into a spreadsheet, including project costs, which will be provided for review at the next meeting. Commissioner McKenzie commented that two of the top projects, the Stadium and Desert Edge have no funding. Ms. Churchard said the exercise is still helpful in terms of providing feedback to the CCIP Subcommittee.

5. Public Comment

A written comment was received from Sandy Schenkat regarding Item 4, which was addressed by Councilman Smith during the discussion of Item 4.

6. Identification of Future Agenda Items

Chair Scholefield noted that the previously approved meeting minutes included action items to be addressed. The next agenda will include an update on today's discussion, including the results of the prioritization project. Mr. Geiogamah added that a Canal Convergence update is also scheduled. Other agenda items include an update on the Ambassador program as well as the annual report.

7. Adjournment

The meeting adjourned at 11:06 a.m.

SUBMITTED BY:

eScribers, LLC